



# REPORT TO UTILITY COMMITTEE

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<b>AGENDA ITEM:</b>	Sewer Utility Fund: Long-Range Cash Flow Analysis
<b>MEETING DATE:</b>	June 10, 2025
<b>PRESENTING COMMITTEE:</b>	N/A
<b>COMMITTEE CONTACT:</b>	Trustee Craig Mortensen
<b>STAFF CONTACT:</b>	Greg Ulman & John Jacobs
<b>REPORT PREPARED BY:</b>	Greg Ulman & John Jacobs

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**AGENDA ITEM:** Sewer Utility Fund: Long-Range Cash Flow Analysis

**ISSUE:** The Village is considering options to propose funding for a long-range capital improvements plan for the Sewer Utility Fund. Presently, the Sewer Utility does not have any debt. A long-range cash flow analysis was prepared in Fall 2023 and presented by Ehlers (the Village's financial advisors) on 1/17/2024 with actual data thru 2021, but including estimates for 2022 and budget data for 2023.

As of today, we are about 3 weeks away from having actual data thru 2024, at the completion of the 2024 financial audit. It would be beneficial for the Village to update the Sewer Utility Fund data for 2022-2024, and to include the 2025 budget numbers into the cash flow analysis to see if the recent sewer rate adjustments have met the goal for funding the increased operations and maintenance (O&M) for the Sewer Utility.

Also, it would be good planning to know how much additional working capital is currently available to fund any future annual debt service costs. The preliminary pre-audited 2024 actual numbers only showed about an estimated \$31,122 annual net position increase (revenues over expenses).

**OBJECTIVES:** To update the long-range cash flow analysis for the Sewer Utility Fund with actual numbers through 12/31/2024 and including 2025 budget numbers. In addition, update the Sewer Utility Capital Improvements Plan with all identifiable capital projects for the next 10 years. Determine if the present sewer utility rate structure is adequate to meet O&M costs, and identify if there are additional annual resources available to fund some capital costs or if capital borrowing is necessary to finance multi-year capital projects.

**BACKGROUND/PREVIOUS ACTIONS:**

The 1/17/2024 Ehlers cash flow study had indicated that the highest annual debt service payment for any borrowed Sewer Revenue Bonds would be \$163,200 (based on a total \$1,580,000 capital borrowing). So, if the Village would be considering a \$2.6 million in a 3-year consolidation of 2025-2027 capital borrowing projects in a single year, the estimated annual debt service payment would be in the approximate range of \$300,000.

The Village has \$642,017 in the Sewer Utility Capital Replacement fund as of 5/31/2025.

**PROPOSAL:** Contract Ehlers to update the Long-Range Cash Flow Analysis for the Sewer Utility Fund using actual numbers through 2024 and the 2025 budget.

Answer the following questions:

- Have the recent sewer rate adjustments since 2021 met the goal for funding the increased operations and maintenance (O&M) for the Sewer Utility, including the Rib Mountain Sewerage District expenses?
- How much additional cash flow funds can be used to finance capital improvement costs, without the need for capital borrowing?
- Can the Sewer Utility Fund plan to finance capital improvement expenses by grouping multiple years' needs into long-term capital financing obligations, and structure a long-term debt repayment schedule that would be affordable to the Sewer Utility?
- What projected impact would need to occur on the Sewer Utility rates, in order to service any long-term debt for the Sewer Utility?

**ADVANTAGES:** Completing an updated 2024 long-range cash flow analysis for the Sewer Utility Fund (by updating 2022-2024 date) is necessary to identify the net position of the Sewer Utility Fund as of 12/31/2024, and to provide options on how the Sewer Utility can finance its future long-term capital improvements plan.

**DISADVANTAGES:** By not updating the cash flow analysis of the Sewer Utility Fund would ignore the impact of the recently enacted sewer rate increases, and would potentially defer any increasing O&M costs of the Sewer Utility.

**ITEMIZE ALL ANTICIPATED COSTS:** The Fall 2023 cash flow study for the Sewer Utility Fund conducted by Ehlers cost the Village \$3,000 in 9/28/2023. We would estimate a similar or slightly higher cost to update the 2023 study using actual data now for 2022-2024 years.

**RECOMMENDED ACTION:** Contract services with Ehlers to prepare and present an updated Long-Range Cash Flow Analysis for the Sewer Utility Fund through 2024 actual data, using the same format and presentation conducted in Fall 2023, and as was presented on 1/17/2024.

**OTHER OPTIONS CONSIDERED/TIMING REQUIREMENTS:** Do nothing, defer incurring capital maintenance costs, and then incur higher O&M sewer maintenance costs in all future years.

**FUNDING SOURCE:** 2025 Sewer Utility Fund budget.

**ATTACHMENTS:**

- Capital Improvements Program for the Sewer Utility Fund
- Pre-Audited 12/31/2024 and 12/31/2023 Audited Statement of Revenues, Expenses, and Changes in Net Position for the Sewer Utility Fund

**VILLAGE OF KRONENWETTER**  
**Sewer Utility Fund**  
**Year Ended December 31, 2024 and 2023**  
(Pre-Audited as of 5/27/2025)

<b>REVENUES:</b>	<b>2024 Pre-Audited</b>	<b>2024 Final Budget</b>	<b>2024 Budget Variance - Positive (Negative)</b>	<b>2023 Audited</b>
Metered Sales-Residential	\$ 893,326	\$ 855,009	\$ 38,317	\$ 521,650
Metered Sales-Commercial	97,047	116,212	(19,165)	64,610
Metered Sales-Industrial	25,801	30,689	(4,888)	18,419
Metered Sales-Multi Family Residential	187,936	194,152	(6,216)	113,283
Metered Sales-Public Authority	3,455	1,550	1,905	1,673
Sewer Connection Fees	1,050	3,800	(2,750)	4,871
Misc Operating Revenues	5,980	8,825	(2,845)	8,825
Contributed Assets	-	-	-	53,306
Interest on Investments	57,198	19,500	37,698	38,625
Sewer Tax Roll	-	-	-	200
Forfeited Discounts	14,661	4,500	10,161	6,954
Misc Non-Operating Revenues	-	5,800	(5,800)	5,805
Apply Unrestricted Fund Balance	-	540,000	(540,000)	-
<b>TOTAL REVENUES</b>	<b>\$ 1,286,454</b>	<b>\$ 1,780,037</b>	<b>\$ (493,583)</b>	<b>\$ 838,221</b>
<b>EXPENSES:</b>				
Sewer Administration/Crew	\$ 217,264	\$ 302,745	\$ 85,481	\$ 218,589
Sewer Operations/Maintenance	283,741	312,450	28,709	229,138
Rib Mt Sewerage District	474,327	397,800	(76,527)	297,985
Capital Projects	-	499,000	499,000	-
Depreciation	280,000	280,000	-	230,138
Transfer to General Fund	-	-	-	506
<b>TOTAL EXPENSES</b>	<b>\$ 1,255,332</b>	<b>\$ 1,791,995</b>	<b>\$ 536,663</b>	<b>\$ 976,356</b>
<b>NET CHANGE IN NET POSITION</b>	<b>\$ 31,122</b>	<b>\$ (11,958)</b>	<b>\$ 43,080</b>	<b>\$ (138,135)</b>

**VILLAGE OF KRONENWETTER**  
**Capital Improvements Program: 2026-2032**  
**Estimates as of 5/31/2025**

	YEAR						
	2026	2027	2028	2029	2030	2031	2032
<b><u>Sewer Revenue Bonds:</u></b>							
Lift Station 3 removal	\$ 600,000						
Lift Station 1 generator	\$ 250,000						
Village Garage (2 Sewer bays)	\$ 266,666						
Lift Station 5 Panel Upgrade & Generator		\$ 300,000					
Hoist Truck (if garage exists)		\$ 100,000					
Sewer Vacuum Truck (if garage exists)		\$ 550,000					
Replace Plow Truck		\$ 80,000					
Lift Station 7 Panel Upgrade & Generator			\$ 500,000				
Lift Station 9 Panel Upgrade				\$ 300,000			
Lift Station 10 removal					\$ 400,000		
<b>TOTAL - Sewer Revenue Bonds</b>	<b>\$ 1,116,666</b>	<b>\$ 1,030,000</b>	<b>\$ 500,000</b>	<b>\$ 300,000</b>	<b>\$ 400,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>Water Revenue Bonds:</u></b>							
Upgrade all lift stations to SCADA/Cellular Systems					\$ 550,000		
<b>TOTAL - Water Revenue Bonds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 550,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b><u>General Obligation Debt or General Tax Levy:</u></b>							
<b><u>Village-wide:</u></b>							
Village Garage (2 parks bays, 2 police bays)	\$ 533,334						
<b><u>Public Works:</u></b>							
Crew Cab Pickup Truck - DPW		\$ 65,000					
Front End Loader - DPW			\$ 275,000				
Tandem Axle Dump Truck - DPW					\$ 400,000		
Wheeled Excavator - DPW						\$ 320,000	
Front End Loader - DPW							\$ 300,000
<b><u>Parks:</u></b>							
1-Ton Dump Truck - Parks	\$ 80,000						
Toro Groundsmaster Lawnmower - Parks			\$ 25,000				
<b><u>Roads:</u></b>							
Martin Road - reconstruction (3 miles)	\$ 3,000,000						
Peplin Road - pulverize & chip (1 mile)		\$ 120,000					
Maple Ridge Road - CTH X to Kronen Dr		?					
South Road - Village limits to Wisz Rd			?				
Forrest Road				?			
Autumn Road				?			
<b>TOTAL - General Obligation Debt or General Tax Levy</b>	<b>\$ 3,613,334</b>	<b>\$ 185,000</b>	<b>\$ 300,000</b>	<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 320,000</b>	<b>\$ 300,000</b>
<b><u>Equipment Replacement Fund Balance:</u></b>							
Tandem Axle Dump Truck - DPW	\$ 155,000						
(2025 = \$160,000 Chassis; and 2026 = \$155,000 Box/Plow)							
<b>TOTAL - Equipment Replacement Fund Balance</b>	<b>\$ 155,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>GRAND TOTAL</b>	<b>\$ 4,885,000</b>	<b>\$ 1,215,000</b>	<b>\$ 800,000</b>	<b>\$ 300,000</b>	<b>\$ 1,350,000</b>	<b>\$ 320,000</b>	<b>\$ 300,000</b>